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LATIN AMERICA-CARIBBEAN

Brazil leads the way in biofuels exports

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SOJO, Peru --

With a sweep of his arm, César Trelles proudly showed off acres of hilly scrub land that at first glance seem best suited for the foxes, lizards and geckos that call it home.

But in a few months, said Trelles, the governor of Piura state in northern Peru, the panorama will change dramatically.

Maple Energy will level the land and plant 20,000 acres of sugar cane in a \$120 million project to produce ethanol for export to the United States and Europe.

"Nobody wanted this land, but now it is worth very much," Trelles said.

Latin American and Caribbean countries -- from Mexico and St. Kitts and Nevis to Peru - - are trying to catch the biofuels wave.

Government officials throughout the region say they want to help reduce global warming and improve public health by producing a less-polluting fuel, but the main driver is the desire to create jobs, attract new investment and increase exports to the United States and Europe.

"It's a cleaner, cheaper and home-grown source of energy," said David E. Lewis, who tracks biofuel developments in Latin America and the Caribbean for Manchester Trade, a Washington, D.C.-based consulting firm.

Brazil has jumped far ahead of everyone in the region. But most other countries plan to begin exporting biofuels by 2010.

No country in Latin America or the Caribbean other than Brazil is currently exporting biofuels to the United States from a home-grown crop.

Companies in Jamaica, Trinidad, Costa Rica and El Salvador are importing sugar cane-based ethanol from Brazil, processing it and then shipping it duty-free to the United States.

Together, the four countries have exported about 90 million gallons of ethanol to the U.S. through May this year, or about as much as Brazil, said Lewis.

Colombia has the most ambitious plans in the region to develop biofuels, other than Brazil.

CHEAPER OPTION

Nearly all of the promising ventures involve sugar cane-based ethanol -- like the plans of Maple Energy -- because corn-derived ethanol and biodiesel from palm oil or soybeans are currently too expensive, said Manlio Coviello, an energy specialist with the Economic Commission on Latin America and the Caribbean, a U.N. agency based in Santiago, Chile.

But Todd Johnson, a senior energy specialist for Latin America and the Caribbean for the World Bank, said most countries in the region face the barrier of being high-cost sugar producers.

"Unlike Brazil, they are not efficient," Johnson said by telephone from Washington. "In most countries, it's more economical to produce sugar than ethanol."

Nevertheless, spurred by publicity about ethanol's benefits and the interest of foreign investors, governments and investors throughout Latin America and the Caribbean are moving ahead with plans to turn sugar cane into ethanol for export or to replace 5 percent to 10 percent of gasoline in domestic vehicles.

In Jamaica, government officials think ethanol could revive the island's dying sugar industry.

Guatemala will soon have five sugar cane-based ethanol plants in operation with plans for three more on the drawing board, said Aida Lorenzo, general manager of the Renewable Fuels Association of Guatemala. Guatemala accounts for about half of the sugar produced in Central America.

"We have the raw product," Lorenzo said by telephone from Guatemala City. "We have interested investors from the United States, Japan, Brazil and Taiwan."

EXPORT POTENTIAL

Argentine soybean oil producers expect to begin converting a portion of their crop for biodiesel exports to Europe in the next three to five years, said Carlos St. James, president of the newly formed Argentine Biofuels Chamber.

"The potential is enormous," he said.

Chile is conducting research to turn wood chips into ethanol.

"The current research says it's five to 10 years away from being competitive with [sugar cane-based] ethanol," St. James said.

The United States and Brazil -- supported by the Inter-American Development Bank and the Organization of American States -- are trying to accelerate efforts throughout Latin American and the Caribbean.

They have targeted four countries and will begin with a needs assessment this summer, said Matt McManus, a State Department official based in Washington.

Those countries are Haiti, the Dominican Republic, El Salvador and St. Kitts and Nevis.

'SELF-SUFFICIENT'

"We would want to export if we can or be self-sufficient in ethanol," Nigel Carty, minister of state for sustainable development, information technology and finance, said by telephone from St. Kitts and Nevis. "We hope to sign a contract within the next three months to develop sugar cane with a private company."

Barbados hopes to do the same.

Cuba, where sugar has been a staple of its economy for centuries, is modernizing 11 of its 17 ethanol refineries, according to a published report last month, even though Fidel Castro has said that biofuels threaten to starve the world's poor.

In Haiti, plans for developing ethanol are in an early stage.

Jamaica, Trinidad and El Salvador, however, are importing dehydrated sugar cane ethanol from Brazilian companies, processing it and then shipping it duty-free to the United States under the Caribbean Basin Initiative and the Central America Free Trade Agreement.

This approach allows the Brazilian companies to evade the U.S. 54-cent per gallon tariff on imported ethanol.

Ethanol counts for 40 percent of the fuel consumed by vehicles in Brazil, and the figure will rise because 83 percent of new vehicles purchased during the first five months in Brazil run on E85, which is 85 percent ethanol and 15 percent gasoline.

Brazilian producers also export ethanol to the United States despite the stiff tariff.

Colombia plans to produce ethanol for vehicles -- the Congress has begun mandating a 5 percent mix of ethanol in vehicles and will require a 15 percent mix by 2010 -- and has even more ambitious plans to produce biodiesel through huge plantings of palm oil.

"We want to reduce dependence on imported fuel, diminish global warming and create massive rural employment," said Jorge Bendeck, executive president of the Colombian National Biofuels Federation. "If we can help bring social peace to rural areas, people will have better lives."

Meanwhile, Maple Energy's project in northern Peru -- one of the most ambitious in Latin America and the Caribbean -- will create 400 to 500 permanent jobs and hundreds more during the construction process, said Rex Canon, Maple's CEO. The company plans to produce 30 million gallons a year beginning in 2009.

IDEAL WEATHER

Canon said Peru's northern coast offers among the best conditions in the world for producing sugar cane for ethanol, with hot, dry weather during the day and cool weather at night, year-round.

"The most energy-efficient and cost-efficient feedstock in the world is sugar cane," Canon said. "We've got the best feedstock, we've got the best place in the world to produce that feedstock and we have strong demand. That's what makes it work."

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